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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 1053

THE UNITED STATES TIME CORPORATION,

Petitioner,

v.

HAMILTON WATCH COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT, WITH APPENDIX.

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HAMILTON WATCH COMPANY,

Respondent.

PETITION FOR WRIT OF CERTIORARI

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Petitioner, The United States Time Corporation, respectfully asks that a writ of certiorari be granted to review a decision of the Court of Appeals for the Second Circuit entered herein on January 31, 1964. (Appendix hereto, pp. 1a-2a).

That decision affirmed the denial by the District Court (Connecticut) of petitioner's motion for an injunction restraining respondent's further prosecution of a patent infringement action in the District of Maryland against a retail customer of petitioner on the same three patents, and involving the same electric watch, that are the subject of the present action in Connecticut between petitioner, the manufacturer of the accused watch, and respondent, the owner of the patents.

Should the writ issue, the matter to be considered would be the judicial administration of the conduct of multiple litigation of identical issues in different United States

courts, and the criteria that should govern the lower courts in that administrative task, both generally and in the now confused area of the patent law involving needless "customer suits" brought by patent owners as a forum-shopping device. A central subject would be the effectuation of this Court's decisions in *Kerostest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U. S. 180 (1952) and *Kessler* v. *Eldred*, 206 U. S. 285 (1907), and the resolution of a direct conflict with two district court decisions in another circuit.

The Opinions Below

Court of Appeals, Second Circuit, January 31, 1964, reported in 327 F. 2d 338; Appendix hereto at pages 2a-3a.

United States District Court, District of Connecticut, unreported. Oral ruling, Appendix hereto at page 4a. Order on petition for rehearing, Appendix hereto at page 5a. Findings and Conclusions, Appendix hereto at pages 6a-11a.

Jurisdiction

This action arose under the patent laws of the United States, and was initiated under the Federal Declaratory Judgments Act, Title 28, U. S. Code, § 2201. This Court's jurisdiction is invoked under Section 1254(1) of Title 28, U. S. Code.

Question Presented

In deciding whether or not to restrain a claimant (e.g., respondent patent owner) from concurrently prosecuting a parallel action against another party involving the same issues in a coordinate court (e.g., respondent's patent action against a retailer in another district), should the court give regard and even dominance to the interest of the

courts and the public in the conservation of judicial resources and in achieving a single comprehensive disposition of those issues, as factors supporting the restraint, where (a) the other action is not needed to protect the claimant's interest and had an ulterior purpose, and (b) the instant action (e.g., one between patent owner and manufacturer) can alone dispose of the controversy comprehensively; or should the other action be permitted to proceed because it was earlier brought, is an action the claimant had a right to commence, and its concurrent prosecution would do no injustice to the party to the comprehensive action (petitioner here) who seeks the restraint?

Statement of Case*

There are now pending in two different district courts, Connecticut and Maryland, two patent infringement actions involving the same three patents of respondent and the same accused product; viz., petitioner's "Timex" electric watch. Both actions involve the same issues of patent validity and infringement.

The two are: (1) the present action in Connecticut brought by petitioner for a declaratory judgment on respondent's patents, in which respondent has counterclaimed for full relief; and (2) an earlier (by twelve days) action in Maryland by respondent against The Read Drug and Chemical Co. ("Read's"), a retail customer of petitioner.

The Connecticut district is one of the districts in which petitioner was subject to suit on respondent's patents under the applicable venue statute (28 U. S. Code, § 1400).

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* An agreed statement of facts was carried largely into the Findings (Appendix hereto, pp. 6a-11a); but the Findings omit agreed facts which petitioner relied upon and which appear at pages 11a-12a of the Appendix hereto.

Read's is one of some 1500 retailers of the accused watch and had purchased only some 290 of them over a period of sixteen months before the action. Read's quite obviously has no material stake in the controversy. No other retailer has been sued.

It was stipulated that "The action against the Read Drug Company was not commenced in Maryland because of a wish or need to bring an action against Read in particular, Read not being a retailer whose sales had any effect materially different from that of the sales of the accused watch by other retailers of the same substantial size in the United States; but, Hamilton further states, was brought against Read in particular as the largest and most financially responsible retailer available in Baltimore, in order to have an action against a financially substantial retailer in the convenient Baltimore forum; and was brought with the knowledge that U. S. Time could intervene or take over the defense of the action against its customer in the selected forum" (Appendix, p. 12a).

Petitioner has not intervened in or taken control of the defense in the Maryland action against Read's; but Read's has filed a consent to abide by any final decision on the patent issues in the Connecticut action.

Petitioner sought an order restraining respondent from further prosecution of the "customer suit" in Maryland pending final decision herein. The district court denied the motion. Rehearing was denied. On appeal, the denial of the restraint was affirmed as being well within the district court's discretionary power.*

Neither court below gave any weight or effect to, or even mentioned, the three major factors urged by petitioner, viz., (1) that what is dominant here is not any private interest or forum preference of a party but rather

* Since that time, the District Court in Maryland has denied a motion by Read's to stay that action. The opinion is not yet reported and is not of record herein.

the interest of the courts and the public in the "conservation of judicial resources and comprehensive disposition of litigation"*, by avoiding where possible an "unnecessary and wasteful duplication of litigation"**; and (2) that these factors warrant the restraint sought because respondent's action against the retailer is an unnecessary one, incapable of disposing of the controversy, and its further prosecution would be a wasteful duplication since the present action, which must proceed in any event, will dispose of the controversy comprehensively. That is so because, if petitioner prevails, respondent will be barred by the rule of *Kessler* v. *Eldred*, 206 U. S. 285 (1907), from prosecuting any of petitioner's customers; and if respondent prevails it can halt all sale of the watch at the source and can get its full compensatory damages from petitioner for every watch sold, whether through Read's or any of the hundreds of other retailers.

The Court of Appeals relied instead upon some of the factors of private interest or desire urged by respondent against the restraint, namely, the fact that respondent had a right to sue Read's (just as it did to sue any seller or user of the watch), the fact that respondent's action in Maryland was the earlier brought, and the fact that no injustice would be done to petitioner by letting the Maryland action proceed, and no harassment was shown. (Appendix, p. 3a).

It seems clear that both courts below were strongly influenced by a *dictum**** in *Jos. Bancroft & Sons* v. *Spunize*

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* *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U. S. 180, at 183 (1952).

** *Telephonics Corp. et al.* v. *Lindly & Company, Inc.*, 291 F. 2d 445, at 447 (2 Cir. 1961); and cf. *Bechik Products, Inc.* v. *Flexible Products, Inc.*, 225 F. 2d 603, at 607 (2 Cir., 1955).

*** It was *dictum* because the denial of a restraint there was well justified by the fact that the action sought to be restrained was a necessary one on the part of the patent owner and the declaratory action in which the restraint was sought was incapable of disposing of the controversy, as the Court recognized.

Corp. of America, 268 F. 2d 522, at 524 (2 Cir., 1959). The district court said that that case staked out the boundary lines for the exercise of its discretion (Appendix, p. 4a); and the Court of Appeals cited that case, although without comment (*id.*, p. 3a). The *dictum* is that "There should be no restraint of the prior suit by injunction 'except to prevent a manifest wrong or injustice' . . . and then only if 'the same parties as well as the same issues are involved in the two actions'" (citing cases). Taken at face value, this *dictum* creates a rigid rule of priority, forbidding in all circumstances the restraint of an earlier action for all situations of non-identical parties and, for situations of identical parties, a rule with but one exception apparently based on a private wrong or injustice rather than on anything having to do with the conservation of judicial resources and comprehensive disposition of litigation.

Reasons For Granting the Writ

Review by this Court is warranted for three reasons, viz.,

1) The question presented is an important one because it goes to the core of a problem in the administration of the work of the lower courts which this Court has already recognized as being important and as being one which warrants this Court's continuing attention and availability for corrective review.

2) The question has a further importance because it goes also to the long-recognized problem of the "customer suit" in the administration of the patent system. The decision below sanctions and will encourage the already too common use of the "customer suit" for ulterior purposes such as "forum shopping", and leaves to the district courts no room for application of this Court's criteria as a check on that abuse of the judicial process.

3) There is direct conflict between the decision below and two district court decisions in the Sixth Circuit, as well as an earlier district court decision in the Second Circuit.

1. The recognized importance of the problem involved and the need for corrective review.

The importance of the problem of multiple litigation in coordinate federal courts was recognized by this Court in *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U. S. 180 (1952). The Court there reviewed and affirmed a decision of the Court of Appeals for the Third Circuit which accorded an area of discretion to the district courts and relaxed the rigid rule of priority established by earlier decisions of that Court as a criterion for determining which of two concurrent actions should be restrained. The writ was granted there "Inasmuch as a question of importance to the conduct of multiple litigation in the federal judicial system was involved . . ."; and it was noted that "The Federal Declaratory Judgments Act, facilitating as it does the initiation of litigation by different parties to many-sided transactions, has created complicated problems for coordinate courts" (*id.*, 183).

The present case involves the same problem, although in a fact situation not directly presented in *Kerotest*. But the fact situation here is one of at least the same frequency of occurrence, and the result here is of at least equally wide consequence.

In *Kerotest*, the litigation started, as here, with a customer suit (there, in Illinois); but because of the subsequent joinder of the manufacturer in that action, following the manufacturer's declaratory action against the patent owner in Delaware, the eventual fact situation was one in which the manufacturer and the patent owner were parties to both actions. Specifically then it came down to a question of which action should be stayed, since either action could dispose of the controversy between the prime

antagonists; whereas here the Connecticut action must proceed anyway, being the only action between the prime antagonists, and the specific question is whether the needless customer suit shall also proceed concurrently. But from the standpoint of "wise judicial administration" (*Kerotest*, at p. 183), both fact situations present the same basic problem and call for decision in accordance with the same criteria. Review here is equally warranted in order to clarify and to effectuate those criteria.

This Court emphasized in *Kerotest* the need to leave to the lower courts an "ample degree of discretion" in solving this problem, and it expressed its confidence in "disciplined and experienced judges"; but in doing so it also set the guide lines for the exercise of that discretionary power by saying that "Wise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation, does not counsel rigid mechanical solution of such problems" (*id.*, 183).

Those criteria of decision—the conservation of judicial resources and the comprehensive disposition of litigation, without rigid rules—are the basic criteria which reflect the interest of the courts themselves and of the public, and which call for confining litigation to a single comprehensive action where that is possible without substantial impairment of any interest of the claimant that makes multiple litigation necessary, even though undesirable.*

The courts below in this case did not weigh those two interests, public and private, and gave no heed to the public interest which this Court directed the lower courts to heed. Dominance was given instead to circumstances of

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* The need for weighing these opposing interests was recognized in *Bechik Products, Inc. v. Flexible Products, Inc.*, 225 F. 2d 603, at 607 (2 Cir., 1955), where the balance was found to warrant the restraint. The same weighing of those interests clearly bars the restraint in a situation such as that of *Bancroft* (*supra*, p. 6), just as it calls for the restraint on the different facts here.

private interest or desire, and implicitly, by the reliance on the *Bancroft dictum (supra*, p. 6), effect was given to the rigid rule of priority which was rejected in *Kerotest*.

Even apart from the reliance on *Bancroft*, the decision below has the effect of creating a "rigid mechanical solution". Thus, whenever a patent owner opens his campaign by a customer suit, instead of by suit against the prime supplier of the accused product who is his real antagonist, there will almost always be present (and the patent owner can see to it that they are) the three factors cited in the opinion of the Court of Appeals below as justifying a denial of the restraint. That customer suit will be earlier, it will be brought as a matter of right created by the patent itself, and there usually will be no demonstrable "injustice" to the prime supplier of the accused product. The result of the decision below therefore will be to give patent owners an easily filled prescription for resort to a needless customer suit, with resulting needless duplication of judicial effort, which the district courts will not feel free to restrain.

Further, in *Kerotest*, this Court noted that if the lower courts do not properly exercise the discretionary power there given to them, "there is always the opportunity for corrective review by a Court of Appeals and ultimately by this Court" (*id.*, 185). This was said in disposing of the fear expressed by the petitioner there that the decision under review would "encourage owners of weak patents to avoid real tests of their patents' validity by successive suits against customers in forums inconvenient for the manufacturers, or selected because of greater hospitality to patents" (*id.*, 184, 185). The import of the Court's discussion is that although generally the lower courts can and should be trusted to deal wisely with such problems, and with any abuses, corrective review by this Court would be available in the rare case of failure to do so.

Our submission is that this is such a case because of (a) the clear failure below to give any heed to the criteria laid down by this Court, (b) the implicit adherence below to a rigid rule of priority as a criterion of decision, and (c) the inevitable wide impact of the decision below in sanctioning the use of a customer suit, not to secure needed relief against the customer, but in an attempt to choose the forum for litigation of the patent controversy.

2. The importance of the "customer suit" problem.

The question presented here takes on further importance because the action here sought to be restrained is the "customer suit" in its naked form.

It has long been recognized that the patent system contains the possibility of abuse in that the patent gives a right of action against any maker, seller or user and therefore a right that can be invoked against someone such as a retailer who has no real part in the supposed infringement, no real stake in the controversy and often no means of defending himself. In *Maytag Co.* v. *Meadows Mfg. Co.*, 35 F. 2d 403, at 410 (7 Cir., 1929), the Court said that "Public policy favors the rule" that patent litigation should be against the manufacturer and that suits against his customers should be restrained meanwhile. In numerous cases, customer suits have been restrained, as in *Bechik, supra*, pp. 5, 8, where the Court of Appeals for the Second Circuit expressly recognized that the exercise of this patent right is subject to judicial restraint.

Yet here a quite needless customer suit has been condoned and the practice of bringing such suits will surely be encouraged unless this Court reviews the decision below and imposes limits on a plainly odious abuse of both the patent right and the right of access to the courts. Litigants no doubt will shop for forum as long as different courts

exhibit different degrees of hospitality to a particular type of action; but it is unseemly for the courts themselves to condone the use of a right of access to the courts, not really to protect the property for which that access is given, but to make a move in a forum-shopping game. That is an abuse of the right of access to the courts. The courts should not assist the game, but should look to their own interest in conserving their resources. A decision of opposite tendency warrants this Court's review.

3. Conflict of decision.

The decision of Senior District Judge Starr in *Sortex Company of North America, Inc., et al.* v. *Mandrel Industries, Inc.*, 226 F. Supp. 995 (W. D. Mich., S. D. February 27, 1964), is in direct conflict with the decision below, as are the decisions in *Squeez-A-Puke Corp.* v. *Stiller et al.*, 149 F. Supp. 60 (N. D. Ohio, E. D., 1957), and *Delamere Co.* v. *Taylor-Bell Co.*, 199 F. Supp. 55 (S. D., N. Y., 1961), which are discussed and followed in Judge Starr's opinion. Judge Starr gave full heed to the criteria set by this Court in *Kerotest, supra* (see 226 F. Supp. at 1000), in contrast to the opinion of the court below in this case. He saw that the duplication of litigation was needless and would be wasteful, that a comprehensive disposition of the controversy could be had in the action between the manufacturer and the patent owner, and that the priority of the customer suit was a relatively unimportant factor.*

We note the decision in the Seventh Circuit, *Sundstrand Corp.* v. *American Brake Shoe Co.*, 315 F. 2d 273 (7 Cir., 1963), which denied restraint of a customer suit.

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* Cf. *Turbo Mach. Co.* v. *Proctor & Schwartz, Inc.*, 204 F. Supp. 39, at 41 (E. D. Pa. 1962), where a subsequent customer suit was restrained for the same reason.

These decisions show that the problem is a recurring one, that the lower courts are in conflict and that review by this Court is needed to effectuate the admonitions of the *Kerotest* opinion and to bring about a resolution of the problem by resort to proper and uniform criteria.

Respectfully,

JOHN HOXIE,
Attorney for Petitioner.

New York N. Y., April 28, 1964.

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Decision.

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 310—September Term, 1963.

(Argued January 31, 1964 Decided January 31, 1964.)

Docket No. 28572

THE UNITED STATES TIME CORPORATION,
a Connecticut corporation,

Plaintiff-Appellant,

v.

HAMILTON WATCH COMPANY,
a Pennsylvania corporation,

Defendant-Appellee.

Before: LUMBARD, Chief Judge,

WATERMAN and MARSHALL, Circuit Judges.

Appeal from an order of the United States District Court for the District of Connecticut, William H. Timbers, J., which denied the appellant's motion for a preliminary injunction to enjoin appellee's prosecution of an earlier infringement action against appellant's customer.

Affirmed.

Opinion of Court of Appeals.

PER CURIAM:

We affirm in open court the order of the district court. The question for decision is whether the district judge properly exercised his discretion in denying plaintiff's motion for a preliminary injunction to enjoin the defendant from prosecuting in the District of Maryland a suit against a customer of the plaintiff for infringement of certain of the defendant's patents, and from commencing any like action against any other customer of the plaintiff. The Maryland suit had been commenced on April 17, 1963, twelve days before the plaintiff brought this action in the District of Connecticut for a declaratory judgment that the defendant's patents are invalid and are not infringed by the plaintiff's Timex watches.

We hold that under all the circumstances Judge Timbers acted well within his discretion in denying the plaintiff's motion for a preliminary restraining order. His findings of fact are based upon a statement of facts stipulated to by the parties. Plaintiff, a Connecticut corporation, and defendant, a Pennsylvania corporation, are both engaged in the manufacture and sale of electric watches. On January 25, 1961, Hamilton Watch Company advised United States Time Corporation by mail that the electric watch imported by United States Time from Germany infringed several of Hamilton's patents. Meetings held during 1961 and 1962 between representatives of the companies produced no agreement.

On April 17, 1963, Hamilton commenced an action against The Read Drug and Chemical Company in the District of Maryland, charging infringement of Hamilton's patents by virtue of Read's sales of the Timex watch. Read's operates a chain of retail stores in the Baltimore area and is one of the largest retailers of Timex watches in that area. Hamilton states that it chose to sue Read's "in order to

have an action against a financially substantial retailer in the convenient Baltimore forum." Hamilton also states that it was aware that United States Time could intervene and take over the defense in the Maryland action. United States Time has taken neither of these steps.

Hamilton has also instituted actions in Canada and West Germany against United States Time's wholly-owned Canadian and German subsidiaries charging infringement of three Canadian patents and three corresponding German patent applications. No decisions have as yet been rendered in these actions.

Hamilton clearly enjoys the right as the holder of United States patents, to institute suit against a retailer offering for sale a device which allegedly infringes those patents. Moreover, since Hamilton's suit was commenced prior to United States Time's declaratory judgment action, and since Judge Timbers could properly find that no injustice will be done to United States Time by the continuation of the Maryland action and that Hamilton is not harassing United States Time's customers, it was well within Judge Timbers' discretion to deny United States Time's motion for a preliminary restraining order. *Joseph Bancroft & Sons Co.* v. *Spunize Co. of America*, 268 F. 2d 522 (2 Cir. 1959); *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U.S. 180 (1952); *Sundstrand Corp.* v. *American Brake Shoe Co.*, 315 F. 2d 273 (7 Cir. 1963).

The order of the district court is therefore affirmed.

Oral Ruling of District Court on Motion for Preliminary Restraining Order.

Before: Hon. William H. Timbers, Judge.

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The Court: Frankly, I have made up my mind in this. I might just as well rule now. It would take longer to write a learned memorandum, but I take it the time may be important.

I am going to deny this motion for preliminary injunction by simply endorsing the denial in the margin of the motion. If either side wishes to submit proposed findings of fact, conclusions of law, this being, in effect, a denial of an injunction, being appealable, I will be glad to grant you any time—any amount of time you would want. I would suggest ten days. Today is the 16th, and unless I hear to the contrary, I will assume that if either side wishes to submit proposed findings of fact and conclusions of law, they will be submitted no later than 4:00 P. M. on Friday, July 26.

Basis of my ruling, in a nutshell, is the Bancroft case. I could expand on that, but I feel that I am either bound by it or it stakes out the boundary lines for the exercise of the Court's discretion, in which I think I should keep.

* * * * * *

Mr. Hoxie: Would it be in order, your Honor, to submit, as a conclusion of law, that you feel bound by that decision?

The Court: I will leave it just as I put it, that I feel either bound by the decision in the Bancroft—Joseph Bancroft and Sons action, 268 F. 2nd 522, Second Circuit decision, 1959, or that the boundary lines for the exercise of the Court's discretion in a situation of this sort is staked out in that case, and the Court believes its exercise of discretion is within the boundary defined in that case.

* * * * * *

Order on Petition for Rehearing of Plaintiff's Motion for Preliminary Restraining Order.

This Court on July 16, 1963, after hearing, having denied plaintiff's motion for a preliminary restraining order and having directed that proposed findings of fact and conclusions of law, if any, be filed not later than July 26, 1963; and proposed findings of fact and conclusions of law having been submitted by counsel for the respective parties; and

Plaintiff having filed a petition for rehearing of plaintiff's motion for a preliminary restraining order, and defendant having filed a memorandum in opposition to said petition for rehearing; and

The Court having considered said petition for rehearing, the said memorandum in opposition thereto and proposed findings of fact and conclusions of law submitted by the respective parties; and

The Court being of the opinion that the said petition for rehearing should be denied and that defendant's proposed findings of fact and conclusions of law should be adopted by the Court; it is

ORDERED that plaintiff's petition for rehearing of plaintiff's motion for a preliminary restraining order be, and the same hereby is, denied; and it is further

ORDERED that defendant's proposed findings of fact and conclusions of law, filed herein July 26, 1963, be, and the same hereby are, adopted as the findings of fact and conclusions of law by the Court on the said motion for a preliminary restraining order.

Dated at New Haven, Connecticut, this 4th day of September, 1963.

/s/ WILLIAM H. TIMBERS
William H. Timbers
United States District Judge

Defendant's Proposed Findings of Fact and Conclusions of Law (adopted below).

Plaintiff having moved for a preliminary restraining order, and the Court, having considered the parties' statement of agreed facts and the affidavits submitted in support of said motion and having heard oral argument thereon, finds the facts and states its conclusions of law as follows:

Findings of Fact

1. Plaintiff, U. S. Time Corporation ("U. S. Time"), is a Connecticut corporation, having its principal administrative offices in Middlebury, Connecticut, where it also has a manufacturing plant, and its principal sales offices in New York City, New York. U. S. Time is principally engaged in the manufacture of timepieces, including those sold under its Timex brand. Since 1961, U. S. Time has been importing and selling in the United States Timex electric watches made in the plant of its wholly-owned German subsidiary. (Complaint, par. 2; Statement par. 1.)

2. Defendant, Hamilton Watch Company ("Hamilton") is a Pennsylvania corporation having its principal offices and its manufacturing facilities in Lancaster, Pennsylvania. Hamilton also maintains a sales office in New York City, New York. Hamilton is engaged principally in the manufacture of timepieces sold under the Hamilton brand, including electric watches. Since 1957, Hamilton has been manufacturing in its plant in Lancaster, Pennsylvania, and selling throughout the United States, electric watches. (Complaint, par. 2; Statement, par. 2.)

3. Hamilton is the owner of record of United States Patent Nos. 2,888,797, 2,954,664 and 2,972,745, all of which pertain to features of an electric wrist watch. (Complaint, par. 4.)

Defendant's Proposed Findings of Fact and Conclusions of Law.

4. On January 25, 1961, Hamilton advised U. S. Time, by letter that the "manufacture, use or sale of this (Timex electric) watch infringes our Patent Nos. 2,888,797 and 2,954,664, as well as some of the numerous applications which we have pending." The letter also stated that Hamilton had "corresponding patent coverage in most of the principal countries of the world." Patent No. 2,972,745 issued to Hamilton less than one month from the date of this notice of infringement. (Complaint, par. 4 and 5(a); Statement, par. 3.)

5. Thereafter, in 1961 and 1962, there were several meetings in New York and Lancaster between officers and or counsel of the respective parties concerning the alleged infringement by U. S. Time of Hamilton's United States patents relating to the electric watch and to Hamilton's corresponding patents and applications in other countries, including Canada (where U. S. Time has a wholly-owned subsidiary and was selling or proposing to sell the Timex electric watch) and West Germany (where U. S. Time, through another wholly-owned subsidiary, manufactures said watches). (Statement, par. 4(a) and 5.)

6. In these meetings, Hamilton stated that if there were no resolution of the controversy by license agreement, it intended to bring suit for infringement and to pursue its legal remedies in the United States and in several foreign countries. The meetings produced no agreement or resolution of the controversy with respect to any of these patents. The last such meeting was held on October 16, 1962. (Statement, par. 4(a) and 6.)

7. On or about April 17, 1963, Hamilton commenced a civil action, No. 14586, in the United States District Court for the District of Maryland against The Read Drug and

Chemical Company ("Read's") of Baltimore, charging Read's with infringement of Hamilton's three electric watch patents. Read's operates a chain of some 65 retail stores in the Baltimore area. With annual sales of approximately $48,000,000, Read's is one of the largest retailers, if not the largest retailer, in that area engaged in the sale of Timex watches. During the period January 1, 1962 through May 15, 1963, U. S. Time sold 290 Timex electric watches to Read's, which is one of approximately 1,500 direct retailing accounts to which U. S. Time has sold such watches. (Complaint, par. 5(c); Statement, par. 7 and 8.)

8. Read's answer to Hamilton's complaint was filed on May 27, 1963 and the case is now at issue. Hamilton has not commenced any action on any of said U. S. patents against U. S. Time and has neither commenced nor threatened any action on any of said patents against any customer of U. S. Time other than Read's. (Statement, par. 7.)

9. On or about April 26, 1963, Hamilton commenced an action against Timex of Canada, Ltd., a wholly-owned subsidiary of U. S. Time, on three Canadian patents corresponding to Hamilton's three United States patents. (Statement, par. 11.)

10. On or about April 24, 1963, Hamilton commenced an action at Mannheim in the Republic of West Germany against U. S. Time and its wholly-owned West German subsidiary on two German patents dealing with features alleged to be found in the Timex electric watch. (Statement, par. 12.)

11. The complaint herein was filed on April 29, 1963. Service upon Hamilton was effected by serving the Secretary of State for the State of Connecticut. Plaintiff U. S.

Defendant's Proposed Findings of Fact and Conclusions of Law.

Time seeks in this action a declaratory judgment that each of Hamilton's aforesaid United States patents is invalid and not infringed by any act of U. S. Time. U. S. Time also seeks an injunction and, by its present motion, a preliminiary restraining order enjoining Hamilton from prosecuting its action in the District Court in Maryland against Read's and from commencing any like action against any other U. S. Time customer. U. S. Time has not sought to intervene in the suit against Read's, and Read's has not sought to intervene in this suit against Hamilton. Read's has agreed to accept and abide by any final judgment that may be entered in this action. (Complaint, Motion for Preliminiary Restraining Order; Statement, par. 13 and 9(b); Murray Affidavit, par. 3.)

12. Hamilton's main offices, manufacturing and research facilities, and the locale of its prospective witnesses in this and the Maryland action is Lancaster, Pennsylvania. Hamilton's general counsel and its patent counsel are both located in Washington, D. C. U. S. Time's patent counsel has his offices in New York City. Baltimore, Maryland is situated intermediate Lancaster and Washington and is easily and conveniently reached by automobile from either city. (Statement, par. 2, 4(b) and (c), 9(a).)

CONCLUSIONS OF LAW

1. The complaint herein sets forth a justiciable controversy between the parties. The Court has jurisdiction of this action under 28 U.S.C. §§ 1338(a) and 2201.

2. Hamilton, as patentee, has the right under the patent laws to bring an action for infringement of its patents against anyone who uses or sells the allegedly infringing product. 35 U.S.C. § 271(a); *Bechik Products, Inc.* v. *Flexi-*

ble Products, Inc., 225 F. 2d 603, 106 USPQ 340 (2d Cir., 1955); *Triangle Conduit & Cable Co., Inc.* v. *National Electric Products Corp.*, 138 F. 2d 45, 59 USPQ 89 (3d Cir., 1943), cert. den., 320 U. S. 784 (1943); *American Chemical Paint Co.* v. *Thompson Chemical Corp.*, 244 F. 2d 64, 113 USPQ 103 (9th Cir., 1957).

3. Hamilton's suit against Read's in the United States District Court for the District of Maryland, having been instituted prior to the present action for a declaratory judgment and involving, as it does, different parties, should be permitted to proceed. *Cresta Blanca Wine Co., Inc.* v. *Eastern Wine Corp.*, 143 F. 2d 1012, 62 USPQ 224 (2d Cir. 1944); *Joseph Bancroft & Sons Co.* v. *Spanize Co. of America*, 268 F. 2d 522, 122 USPQ 110 (2d Cir. 1959); *Yale & Towne Mfg. Co.* v. *Manning Maxwell & Moore, Inc.*, 91 F. Supp. 106 (S.D.N.Y. 1950).

4. No manifest wrong or injustice to plaintiff will result from continuation of the Maryland litigation in which U. S. Time, if it sees fit to do so, may intervene. *Joseph Bancroft & Sons Co.* v. *Spanize Co. of America, supra.* Cf. *Kerotest Mfg. Co.* v. *C-O-Two Fire Extinguisher Co.*, 342 U. S. 182, 72 S. Ct. 219, 96 L. Ed. 200 (1952).

5. Exercising its discretion upon the facts found herein and within the criteria established by the decisions cited above, the Court is of the opinion that plaintiff's motion for a preliminary restraining order should be and it is hereby denied.

6. Plaintiff, having been advised of the Court's ruling as stated above, has filed a petition for rehearing. The Court has carefully considered said petition and concludes that the petition should be and it is hereby denied.

Excerpts from Statement of Agreed Facts.

It is hereby stipulated by and between the parties hereto, through their respective counsel, subject to the right of either party to present supplementing facts not inconsistent herewith, as follows:

* * * * * * *

7. On or about April 17, 1963, Hamilton commenced a civil action No. 14586 in the District of Maryland against The Read Drug and Chemical Company ("Read's") of Baltimore, Maryland, charging it with infringement of said three U. S. patents of Hamilton, Nos. 2,888,797; 2,954,664; and 2,972,745, by reason of Read's sale of electric watches. * * * Hamilton knew that the accused watch sold by Read's was made by U. S. Time and that Read's was a customer of U. S. Time. Hamilton also knew that the same watch had been and was being sold by retailers throughout the United States including retailers located in the Eastern District of Pennsylvania in which Lancaster is located. * * *

8. * * * Prior to the commencement of that action against Read's, and except for such public notice of the patent as may have been given by patent marking on its watches, Hamilton had not given Read's any notice of infringement and had not had any meetings or discussions with Read's about the Hamilton patents or about the controversy between Hamilton and U. S. Time with respect to the Hamilton patents and the Timex electric watch.

9. (a) The said action against Read's was commenced after Hamilton had decided to attempt to enforce its patents against the sale of Timex watches in this country and in certain foreign countries. Hamilton states that its decision to do that by an action against a U. S. retailer of substantial financial resources, in addition to an action directly against U. S. Time in Germany, the site of manu-

facture, and in further addition to an action against a wholly-owned subsidiary in Canada, was made as the result of a determination that relief should be sought in a forum convenient to both Hamilton and its patent and retained general counsel, and that the District of Maryland, and particularly Baltimore, provided a convenient and expeditious forum for an action against a retailer. * * * The action against the Read Drug Company was not commenced in Maryland because of a wish or need to bring an action against Read in particular, Read not being a retailer whose sales had any effect materially different from that of the sales of the accused watch by other retailers of the same substantial size in the United States; but, Hamilton further states, was brought against Read in particular as the largest and most financially responsible retailer available in Baltimore, an order to have an action against a financially substantial retailer in the convenient Baltimore forum; and was brought with the knowledge that U.S. Time could intervene or take over the defense of the action against its customer in the selected forum.

(b) U. S. Time has neither intervened in, nor taken over the defense of the Read Drug Company, in the Baltimore action.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 1053

THE UNITED STATES TIME CORPORATION
Petitioner,

v.

HAMILTON WATCH COMPANY, *Respondent.*

BRIEF FOR THE RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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IN THE

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OCTOBER TERM, 1963

No. 1053

THE UNITED STATES TIME CORPORATION
Petitioner,

v.

HAMILTON WATCH COMPANY, *Respondent.*

BRIEF IN OPPOSITION TO GRANT OF WRIT OF CERTIORARI

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Respondent, Hamilton Watch Company, respectfully asks that this Court deny the petition for grant of a writ of certiorari filed April 29, 1964 by the United States Time Corporation.

QUESTION PRESENTED

Did the Courts below err in the discretionary action of refusing to enjoin patentee Hamilton's sole patent infringement action against an infringer in a court convenient to both Hamilton and the infringer, simply because the importer and infringer's vendor, U. S. Time, subsequently filed a declaratory judgment action in the District of Connecticut two and a half years

after the justiciable controversy arose, with service on the statutory agent of Hamilton and without any allegation or proof that the second forum was convenient to the witnesses of either party, or that the patentee is engaged in harassment, or in any other activity which could have served as a possible basis for the District Judge ruling other than he did, when the ruling of said Court is in complete harmony with this Court's decision in *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U.S. 180 (1952) and the settled and uniform interpretation of the governing law by the various Courts of Appeal.

RESTATEMENT OF CASE[1]

Respondent, Hamilton Watch Company, whose watch manufacturing and research facilities in the United States are located at Lancaster, Pennsylvania, began, in 1957, to make and sell the "Hamilton" electric wrist watch, upon which it secured United States and foreign patents. In 1961, petitioner, U. S. Time, began importing and selling in the United States, so-called "Timex" electric watches manufactured in Germany by its wholly-owned German subsidiary. (Stat. par. 1 and 2). Substantially immediately (letter of January 25, 1961), Hamilton notified U. S. Time that the "Timex" electric watch was regarded as an infringement of Hamilton patent rights. A justiciable case and controversy was admittedly created at that time. In fruitless negotiations in 1961 and 1962, Hamilton advised U. S. Time that it intended to pursue its legal remedies if the controversy were not settled

[1] The "Statement of Agreed Facts" in the record herein is referred to as "Stat." Inasmuch as petitioner has reproduced only incomplete excerpts, the entire statement is reproduced herein at pages 1a-7a of the Appendix hereto.

by agreement. In April 1963, Hamilton commenced action (1) against U. S. Time and its wholly-owned German subsidiary for patent infringement at the source and only site of manufacture in Germany, (2) against the U. S. Time Canadian subsidiary in Canada, and (3) against Read's, a $48 million drug store chain retailing the Timex electric watch in Baltimore, Maryland. (Stat. par. 3-6).

Hamilton brought the U. S. patent action in Baltimore because that forum is admittedly convenient to its electric watch manufacturing and research facilities, is convenient to its witnesses at Lancaster, Pennsylvania, and is convenient to its patent and retained general counsel who are located in Washington. The docket of the Baltimore Court is more current than that in New Haven.[2] (Stat. par. 9).

As an obvious result of Hamilton's suits, U. S. Time filed its declaratory judgment action in Connecticut, making service on the Secretary of State of Connecticut, as the statutory agent of Hamilton, despite the fact that Hamilton was amenable to suit for declaratory judgment (1) at its headquarters, watch-manufacturing and research facilities in Lancaster, Pennsylvania (trial at Philadelphia), or (2) at its sales offices in New York City. (Stat. par. 13).

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[2] According to the Annual Report of the Director of Administrative Office of the United States Courts for the fiscal year ending June 30, 1962, the median time interval from filing to disposition in civil cases terminated during that year was 29 months in the U.S. District Court for the District of Connecticut and 13 months in the U.S. District Court for the District of Maryland. The respective median time intervals from issue to trial were twenty-five months in Connecticut and eight months in Maryland for all civil cases; fifteen and six months respectively for non-injury civil cases.

The Connecticut forum is inconvenient to Hamilton, its witnesses, and its counsel. On the other hand, U. S. Time did not allege the Connecticut forum to be convenient to either U. S. Time witnesses or to U. S. Time patent counsel, the latter being situated in New York City. The record is silent as to the locale of the U. S. Time witnesses, who presumably are situated in Germany at the sole site of manufacture of the Timex electric watch. (Stat. par. 9a).

U. S. Time moved the Connecticut District Court for a preliminary restraining order enjoining Hamilton from proceeding with the Baltimore suit. On the basis of the foregoing facts, the Connecticut District Court (Timbers, J.) exercised its discretion within the criteria established by the pertinent leading cases[3] and denied the motion.

On January 31, 1964, the Court of Appeals of the Second Circuit affirmed in a per curiam decision finding the District Court's action in denying the preliminary restraining order to be "well within Judge Timbers' discretion."

In the meantime, on November 1, 1963, Read's, with the assistance of U. S. Time,[4] and based on the same

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[3] *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co.*, 342 U.S. 180 (1952); *Joseph Bancroft & Sons Co.* v. *Spuniz Co. of America*, 268 F. 2d 522 (2 Cir. 1959); *Cresta Blanca Wine Co., Inc.* v. *Eastern Wine Corp.*, 143 F. 2d 1012 (2 Cir. 1944) and *Yale & Towne Mfg. Co.* v. *Manning, Maxwell & Moore, Inc.*, 91 F. Supp. 106 (S.D.N.Y. 1950). Cf. *American Chemical Paint Co.* v. *Thompson Chemical Corp.*, 244 F. 2d 64 (9 Cir. 1957); *Bechik Products Inc.* v. *Flexible Products, Inc. et al*, 225 F. 2d 603 (2 Cir. 1955); *Triangle Conduit & Cable Co., Inc.* v. *National Electric Products Corp.*, 138 F. 2d 46 (3 Cir. 1943), cert. den., 320 U.S. 784 (1943).

[4] *Hamilton Watch Co.* v. *Read Drug & Chemical Co.*, —— F. Supp. ——, 141 USPQ 335, 336, fn. 1 (D. Md. Apr. 14, 1964).

"Statement of Agreed Facts", filed in Baltimore a Motion to Stay that action pending the outcome of the Connecticut action. U. S. Time asked for, and was granted, leave to file a brief "*Amici Curiae*" and to submit evidence and actually filed a voluminous binder as evidence.[5] Judge Watkins, based on the aforestated facts, and after examining "the 'evidence' offered on behalf of U. S. Time",[6] denied the Read Motion to Stay.

Two District Courts and one Court of Appeals have thus concurred as to the propriety of denying the relief here sought by petitioner.

REASONS FOR DENYING THE WRIT

Review by this Court is unwarranted for three reasons, viz:

(1) The decision of the Court of Appeals in this case is in complete consonance with this Court's leading expression on the issue in *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co., supra*, as well as with *all* decisions of the various United States Courts of Appeals which have considered the same question. There is no conflict of decisions because no Court of Appeals has ever reached the result which petitioner seeks, and the three District Court decisions cited by U. S. Time are easily distinguishable.

(2) When U. S. Time's petition is analyzed and stripped to its essentials, the petitioner is found to be relying on alleged duplicate litigation of its own creation as the basis for seeking nothing less than to

[5] Ibid.

[6] Ibid.

stretch the Federal Declaratory Judgment Act to abort Hamilton's statute-authorized action against Read's and force U. S. Time's own choice of jurisdiction by filing its action two and one-half years after a justiciable controversy arose, in a manner which this Court expressly refused to sanction in *Kerotest*.

(3) Although petitioner alleges forum shopping by Hamilton, petitioner selected Connecticut as the jurisdiction for its declaratory judgment action by service on Hamilton's statutory agent, and presented no factual evidence whatsoever to show that New Haven was a forum conveniens, whereas the record indicates to the contrary.

1. The decision below is in complete harmony with clear existing law which is not the subject of any conflict

The leading authority on this subject is the decision of this Court in *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co., supra*, which clearly spells out the applicable law. In that case, this Court stated that "Necessarily, an ample degree of discretion, appropriate for disciplined and experienced judges, must be left to the lower courts,"[7] and summarized the applicable rules as follows:[8]

> "The manufacturer[7a] [U. S. Time] who is charged with infringing a patent cannot stretch the Federal Declaratory Judgments Act to give him a paramount right to choose the forum for trying out questions of infringement and invalid-

[7] 342 U.S. 180, 183-84.

[8] The pertinent parties are interpolated as by Judge Watkins in his decision denying the Read's Motion for Stay in the Baltimore action. *Hamilton Watch Co.* v. *Read Drug & Chemical Co.*, —— F. Supp. ——, 141 USPQ 335, 338 (D. Md. Apr. 14, 1964).

ity. He [U. S. Time] is given an equal start in the race to the courthouse, not a headstart. If he is forehanded, subsequent suits against him by the patentee [Hamilton] can within the trial court's discretion be enjoined pending determination of the declaratory judgment suit, and a judgment in his favor bars suits against his customers. [Read's]. If he is anticipated [Hamilton v. Read's], the court's discretion is broad enough to protect him [U. S. Time] from harassment of his customers. If the patentee's [Hamilton's] suit against a customer [Read's] is brought in a district where the manufacturer [U. S. Time] cannot be joined as a defendant, the manufacturer [U. S. Time] may be permitted simultaneously to prosecute a declaratory action against the patentee [Hamilton] elsewhere [in Connecticut].[8a] And, if the manufacturer [U. S. Time] is joined as an unwilling defendant in a forum non conveniens, he has available upon an appropriate showing the relief provided by section 1404(a) of the Judicial Code. 62 Stat. 869, 937, 28 U.S.C. § 1404(a)."

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[3] "* * * Since 1961, U.S. Time has been importing and selling in the United States Timex electric watches made in the plant of its wholly owned German subsidiary." Statement of Agreed Facts in the Connecticut suit.

Quaere—is U.S. Time a 'manufacturer' within Kessler v. Eldred, 1907, 205 U.S. 285, 27 S. Ct. 527, 51 L. Ed. 803?"

[7a] See footnote 3, above. U.S. Time is not literally the 'manufacturer', but is the importer and distributor of Timex watches made in the plant of its wholly owned German subsidiary.

"If U.S. Time were to be treated only as a vender, not a manufacturer, then the suit in the District of Connecticut would have no greater finality than the suit against Read's."

[8a] Or the manufacturer (U.S. Time) may intervene in, or take over the defense of, the suit against the customer Read's."

[Footnotes Judge Watkins']

The Court below cited as authority this same *Kerotest* decision, in addition to *Joseph Bancroft & Sons Co.* v. *Spunize Co. of America, supra*, and *Sundstrand Corp.* v. *American Brake Shoe Co.*, 315 F. 2d 273 (7 Cir. 1963). Older decisions to the same effect and reaching the same result are: *Triangle Conduit & Cable Co., Inc.* v. *National Electric Products Corporation, supra* and *Yale & Towne Mfg. Co.* v. *Manning, Maxwell & Moore, Inc., supra.* There is no known Court of Appeals decision in any circuit enjoining a first filed patent infringement action in favor of a subsequently filed declaratory judgment action.

The three District Court decisions cited by petitioner are not in conflict with either the rules set out in *Kerotest* or with any of the other above-cited authorities.

In *Sortex Co. of North America, Inc. et al.* v. *Mandrel Industries, Inc.*, 226 F. Supp. 995 (W.D. Mich., S.D. 1964), cited by petitioner, the patentee was "annoying, harassing or intimidating" customers. This factor admittedly is not present here.

In *Squeez-A-Purse Corp.* v. *Stiller et al.*, 149 F. Supp. 60 (N.D. Ohio E.D., 1957), cited by petitioner, neither the patentee nor the infringing manufacturer had any apparent connection with the distant (North Carolina) forum in which the original suit was brought. That situation is in contrast to the instant case, wherein the Baltimore jurisdiction is admittedly convenient to Hamilton and Read's, and it is not even alleged to be inconvenient to the witnesses of U. S. Time.

The only other purported authority cited by petitioner is the case of *Delamere Co., Inc.* v. *Taylor-Bell Co., Inc.*, 199 F. Supp. 55 (S.D.N.Y. 1961), a District

Court decision which obviously could not create a conflict with a decision of its own Court of Appeals. Further, however, that case is also completely distinguishable in view of the fact that, while the plaintiff brought the suit in Virginia, all three of the involved parties had principal places of business in New York, all witnesses were in that area, and the attorneys who had been active in the case where in New York. In those circumstances, the Court concluded that convenience would unquestionably be better served by venue in New York rather than in Virginia. That is to be contrasted with the present case wherein there is no factual showing that the convenience of pertinent witnesses or counsel would be better served by a New Haven venue, and the record actually is to the contrary.

2. Petitioner seeks no reconciliation of conflicting decisions but rather a drastic rewriting of uniformly established law

The petitioner adverts to "conservation of judicial resources", "needless duplication of judicial effort", and needless "duplication of litigation", creating the inference that the respondent is somehow responsible for such problems. The contrary is true. The petitioner itself filed the second lawsuit two and a half years after the justiciable controversy arose, and then turned around to complain of the alleged wasteful duplication of litigation.[9]

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[9] The cases of *Telephonics Corp. et al* v. *Lindly & Co., Inc.*, 291 F. 2d 445 (2 Cir. 1961) and *Bechik Products, Inc.* v. *Flexible Products, Inc. et al*, 225 F. 2d 603 (2 Cir. 1955), cited by petitioner, are inapposite because they related to situations wherein the patentee itself filed or threatened to file multiple lawsuits.

The uniform and controlling law in such a situation is contrary to the petitioner's position as laid down in the *Kerotest* decision:[10]

> If the patentee's [first filed patent infringement] suit against a customer is brought in a district where the manufacturer cannot be joined as a defendant, the manufacturer may be permitted *simultaneously* to prosecute a [second filed] declaratory action against the patentee elsewhere. [Emphasis added].

Petitioner's statement that the Connecticut action "must proceed in any event" is absurd. It "must proceed" only if the petitioner so insists. The right of the petitioner to persist in the Connecticut action is a permissive one, as is its right to intervene in the Maryland action.[11] Thus petitioner, who created any duplication of litigation which may exist, can also terminate such duplication of its own volition, at any time it sees fit.

If the proposition of the petitioner were to be accepted, the *Kerotest* decision would be overruled, in addition to the pertinent Court of Appeals' decisions which are all in harmony with one another and with *Kerotest*. Under the rule which the petitioner urges on the facts in this case, any manufacturer (importer)

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[10] 342 U.S. 180, 186.

[11] *Joseph Bancroft & Sons Co.* v. *Spunize Co., supra; Trumatic Machine & Tool Co., Inc.* v. *O. M. Scott & Sons Company*, 180 F. Supp. 838 (S.D.N.Y. 1960); *Yale & Towne Mfg. Co.* v. *Manning, Maxwell & Moore, Inc., supra*, citing *Chandler & Price Co.* v. *Brandtjen & Kluge, Inc.*, 296 U.S. 53 (1935). Also, Judge Watkins pointed out that the petitioner may intervene in the Baltimore action. *Hamilton Watch Co.* v. *Read Drug & Chemical Co.*, —— F. Supp. ——, 141 USPQ 335, 338, fn. 8 (D. Md. Apr. 14, 1964).

could dictate the forum in which issues of patent infringement can be litigated and *ipso facto* abort a previously filed infringement action in another court by the simple expedient of filing, at its own time and convenience, a subsequent declaratory judgment action, in any forum of its choice within the broad general venue provisions of 28 U.S.C. 1391(c).

Petitioner's contention that "the decision below has the effect of creating a rigid mechanical solution" is completely unfounded and is simply an attempt to mask the fact that this case is completely devoid of any possible equitable considerations which would have justified a contrary decision by the District Court and the Court of Appeals below.[12]

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[12] Equitable considerations which have been recognized: Balance of convenience, particularly as to witnesses, *Telephonics Corp. et al* v. *Lindly & Co., Inc., supra; International Nickel Co., Inc.* v. *Martin J. Barry, Inc.*, 204 F. 2d 583 (4 Cir. 1953); *Helene Curtis Industries, Inc. et al* v. *Sales Affiliates, Inc.*, 199 F. 2d 732 (2 Cir. 1952); *Remington Products Corp. et al* v. *American Aerovap, Inc.*, 192 F. 2d 872 (2 Cir. 1951); *Squeez-A-Purse Corp.* v. *Stiller et al, supra; Delamere Co., Inc.* v. *Taylor-Bell Co., Inc., supra.* Intimidation and harassment of customers, *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co., supra; Sundstrand Corp.* v. *American Brake Shoe Co., supra; Helene Curtis Industries, Inc. et al* v. *Sales Affiliates, Inc., supra; Sortex Co. of North America, Inc. et al* v. *Mandrel Industries, Inc., supra.* Priority of suit, *Kerotest Mfg. Co.* v. *C-O-Two Fire Equipment Co., supra; Sundstrand Corp.* v. *American Brake Shoe Co., supra; Telephonics Corp. et al* v. *Lindly & Co., Inc.*, 192 F. Supp. 407 (E.D.N.Y. 1960), aff'd 291 F. 2d 445 (2 Cir. 1961); *Joseph Bancroft & Sons Co.* v. *Spunize Co. of America, supra; Helene Curtis Industries, Inc.* v. *Sales Affiliates, Inc., supra; Remington Products Corp. et al* v. *American Aerovap, Inc., supra; Cresta Blanca Wine Co., Inc.* v. *Eastern Wine Corp., supra.*

3. The record is devoid of any evidence of forum shopping by respondent nor is there any evidence that the forum belatedly chosen by petitioner is convenient enough even to meet the minimum forum conveniens requirements of Section 1404(a) of the Judicial Code

The record shows that the Baltimore forum chosen by respondent Hamilton is convenient to its electric watch manufacturing and research facility, to its witnesses at Lancaster, Pennsylvania, and to its patent and retained general counsel in Washington, D. C. (Stat. par. 9). The docket of the Baltimore Court is more current than that in New Haven, Connecticut.[13] As contrasted with this, while Hamilton was amenable to suit for declaratory judgment in Lancaster, Pennsylvania (trial in Philadelphia), New York City or Connecticut,[14] petitioner chose Connecticut without so much as an allegation that the forum would be convenient to its witnesses (presumably situated in Germany), or to its patent counsel, who is situated in New York City. This situation alone provided an ample basis to justify Judge Timbers' exercise of discretion in refusing to grant the petitioner's motion for a preliminary restraining order.

CONCLUSION

The situation involved here is routine and was handled by the District Court and the Court below in complete conformity with the admonitions and rules of this Court's *Kerotest* decision and in complete har-

[13] See note 2, *supra*.

[14] Hamilton has a silverware subsidiary in Connecticut (not in the record).

mony with all Court of Appeals decisions in all Circuits dealing with the same subject; wherefore, the writ should be denied.

Respectfully,

ROBERT E. LEBLANC
Attorney for Respondent

APPENDIX

Statement of Agreed Facts.

It is hereby stipulated by and between the parties hereto, through their respective counsel, subject to the right of either party to present supplementing facts not inconsistent herewith, as follows:

1. Plaintiff, U. S. Time Corporation ("U. S. Time"), is a Connecticut corporation, having its principal administrative offices in Middlebury, Connecticut, where it also has a manufacturing plant, and its principal sales offices in New York City, New York. U. S. Time is principally engaged in the manufacture of timepieces, including those sold under its Timex brand. Since 1961, U. S. Time has been importing and selling in the United States Timex electric watches made in the plant of its wholly owned German subsidiary.

2. Defendant, Hamilton Watch Company ("Hamilton"), is a Pennsylvania corporation having its principal offices and its manufacturing facilities in Lancaster, Pennsylvania. Hamilton also maintains a sales office in New York City, New York. Hamilton is engaged principally in the manufacture of timepieces sold under the Hamilton brand, including electric watches. Since 1957, Hamilton has been manufacturing in its plant in Lancaster, Pennsylvania, and selling throughout the United States, electric watches.

3. On January 25, 1961, Hamilton sent to U. S. Time a letter, a copy of which is attached hereto and marked Appendix A. In that letter Hamilton advised U. S. Time that:

> "We have recently had an opportunity to examine one of the electric watches which your corporation imported from West Germany for marketing in the United States.

From our examination of this watch we have determined that the manufacture, use or sale of this watch in the United States infringes our patent Nos. 2,888,797 and 2,954,664, as well as some of the numerous applications which we have pending. Hamilton has corresponding patent coverage in most of the principal countries of the world."

4. (a) Thereafter, in 1961 and 1962, there were several meetings in New York and Lancaster between officers and or counsel of the respective parties about the patent controversy set out in the said letter, with a concluding meeting on October 16, 1962. In addition to the patents listed in the said letter, these meetings involved discussion of Hamilton patent No. 2,972,745, also alleged to be infringed by manufacture, use or sale of the U. S. Time (Timex) electric watch, but which patent had not issued as of the date of the letter of Appendix A. These conferences produced no agreement or resolution of the controversy with respect to any of these patents.

4. (b) U. S. Time's patent counsel, who participated in the above conferences, and who is U. S. Time's patent counsel in this proceeding, has his office in New York City.

4. (c) Hamilton's patent counsel, who has been responsible for Hamilton patent matters since 1955, who participated in the above conferences, and who is Hamilton's patent counsel in this and the Maryland proceeding referred to below, has his offices in Washington, D. C., as does its retained general counsel.

5. The meetings dealt with Hamilton's U. S. patent Nos. 2,888,797; 2,954,664; and 2,972,745, which are the subject of the above-entitled action and dealt with them as patents at that time charged by Hamilton to be infringed by the sale of "Timex" electric watches in this country. The discussions dealt also with the fact that

Hamilton had corresponding patents in certain foreign countries, including Canada and Great Britain where U. S. Time was selling or proposed to sell the same watch; and with the fact that in West Germany, where U. S. Time was then manufacturing the watch, Hamilton had filed and had then pending applications for German patents corresponding to its U. S. patent Nos. 2,888,797; 2,954,664; and 2,972,745, as well as other applications relating to features of an electric watch, and already had at least one issued German patent allegedly infringed by the said manufacture in Germany.

6. In these meetings in 1961 and 1962, it was stated on Hamilton's part that if there were no resolution of the controversy by license agreement, Hamilton intended to bring suits for infringement and to pursue its legal remedies in the United States and in several foreign countries; and, as a factor making a resolution desirable, there was discussion of the cost and burden which that litigation would impose on both parties. While there was no specific mention of suits by Hamilton against customers of U. S. Time, the possible award of damages as a result of litigation was discussed. It was the position of Hamilton that it would seek a recovery of profits of both the manufacturer and retailers. It was the position of U. S. Time that Hamilton would not be entitled to a recovery of such profits and that the full compensatory recovery under the patent statute could be had against the manufacturer.

7. On or about April 17, 1963, Hamilton commenced a civil action No. 14586 in the District of Maryland against The Read Drug and Chemical Company ("Read's") of Baltimore, Maryland, charging it with infringement of said three U. S. patents of Hamilton, Nos. 2,888,797; 2,954,664; and 2,972,745, by reason of Read's sale of electric watches. The watch there accused was the Timex electric watch, although not so identified in the complaint

against Read's. Read answered the complaint on May 27, 1963 and the case is now at issue. Hamilton knew that the accused watch sold by Read's was made by U. S. Time and that Read's was a customer of U. S. Time. Hamilton also knew that the same watch had been and was being sold by retailers throughout the United States including retailers located in the Eastern District of Pennsylvania in which Lancaster is located. At the time Hamilton commenced its action against Read, it knew those facts with respect to U. S. Time set forth in paragraph 1 herein. At the time U. S. Time commenced this action against Hamilton, it knew those facts with respect to Hamilton set forth in paragraph 2 herein. Hamilton has commenced no action on any of said U. S. patents against U. S. Time, and has neither commenced nor threatened any action on any of said U. S. patents against any customer of U. S. Time other than Read.

8. Read's operates a chain of some 65 retail stores in the Baltimore area, having annual sales in the neighborhood of $48,000,000, and is one of the largest retailers, if not the largest, in that area engaged in the sale at retail of Timex watches. Prior to the commencement of that action against Read's, and except for such public notice of the patent as may have been given by patent marking on its watches, Hamilton had not given Read's any notice of infringement and had not had any meetings or discussions with Read's about the Hamilton patents or about the controversy between Hamilton and U. S. Time with respect to the Hamilton patents and the Timex electric watch.

9. (a) The said action against Read's was commenced after Hamilton had decided to attempt to enforce its patents against the sale of Timex watches in this country and in certain foreign countries. Hamilton states that its decision to do that by an action against a U. S. retailer of substantial financial resources, in addition to an action

directly against U. S. Time in Germany, the site of manufacture, and in further addition to an action against a wholly-owned subsidiary in Canada, was made as the result of a determination that relief should be sought in a forum convenient to both Hamilton and its patent and retained general counsel, and that the District of Maryland, and particularly Baltimore, provided a convenient and expeditious forum for an action against a retailer. Hamilton's general counsel and Hamilton's patent counsel are both located in Washington, D. C., while the main offices, manufacturing and research facilities of Hamilton, and, therefore, the locale of Hamilton witnesses, is Lancaster, Pennsylvania. Baltimore, Maryland, is situated intermediate Lancaster, Pennsylvania, and Washington, D. C., and is easily and conveniently reached by automobile from either Lancaster or Washington. The action against the Read Drug Company was not commenced in Maryland because of a wish or need to bring an action against Read in particular, Read not being a retailer whose sales had any effect materially different from that of the sales of the accused watch by other retailers of the same substantial size in the United States; but, Hamilton further states, was brought against Read in particular as the largest and most financially responsible retailer available in Baltimore, in order to have an action against a financially substantial retailer in the convenient Baltimore forum; and was brought with the knowledge that U. S. Time could intervene or take over the defense of the action against its customer in the selected forum.

(b) U. S. Time has neither intervened in, nor taken over the defense of the Read Drug Company, in the Baltimore action.

10. At or before the commencement of the action against Read, the representatives of Hamilton who were responsible for its commencement had established that Read did sell and was offering for sale the accused Timex watch

but made no inquiry or investigation to learn the extent of Read's sales of the accused Timex watch.

11. On or about April 26, 1963, Hamilton commenced an action against Timex of Canada, Ltd., a wholly-owned subsidiary of U. S. Time, on three patents of Canada corresponding to the said three United States patents.

12. On or about April 24, 1963, Hamilton Watch Company commenced an action at Mannheim, in the Republic of West Germany, against U. S. Time, and its wholly-owned West Germany subsidiary on two patents of West Germany dealing with features alleged to be found in the accused Timex watch, the watch accused in the West German action being the same watch that is accused in the United States and Canada. There is presently no patent in West Germany corresponding to any of the said three United States patents, although corresponding applications are pending. In West Germany, Hamilton's German patent applications corresponding to U. S. patent Nos. 2,288,797; 2,954,664: and 2,972,745 were allowed provisionally and published for opposition pursuant to West German law. U. S. Time formally opposed the grant of patents thereon and cited to the German Patent Office prior art that had not been cited by the Patent Examiner during the years of examination which preceded the allowance of the applications. In one of these cases, that corresponding to U. S. patent No. 2,888,797, the Examiner made an ex parte interlocutory ruling adverse to patentability. In the other two cases, those corresponding to U. S. patent Nos. 2,954,664 and 2,972,745, the Examiner has as yet made no ruling based on prior art cited during the oppositions, but as noted had allowed the two patents provisionally, so that the last interlocutory ex parte rulings of the Examiner were favorable to patentability. In all cases, the actual decision is rendered by a three-judge tribunal, which includes the Examiner as one of the judges. None of the

contested German applications have been reached or ruled on by this three-Judge tribunal.

13. The complaint herein was filed on April 29, 1963, twelve days after Hamilton commenced its suit against Read in Baltimore, five days after Hamilton commenced its action against U. S. Time and its subsidiary in Germany, and three days after Hamilton commenced its action against U. S. Time's subsidiary in Canada. Service upon Hamilton was made in the instant proceeding upon the Secretary of State of the State of Connecticut, as Statutory Agent for defendant.

14. Either party at the hearing may quote or extract information from the Annual Report of the Director of the Administrative Office of the United States Courts with regard to the condition of the calendar in the several courts referred to.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1963

No. 1053

THE UNITED STATES TIME CORPORATION,

Petitioner,

HAMILTON WATCH COMPANY,

Respondent.

REPLY BRIEF OF PETITIONER ON PETITION FOR WRIT OF CERTIORARI

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OCTOBER TERM, 1963

THE UNITED STATES TIME CORPORATION,

Petitioner,

v.

HAMILTON WATCH COMPANY,

Respondent.

REPLY BRIEF OF PETITIONER

So far from showing reason for denial of the petititon, respondent's brief confirms the need for review here in order (1) to restore the criteria established by this Court in *Kerotest** for the wise judicial administration of multiple-action situations, and (2) to halt the substitution of other criteria which would create a rigid mechanical solution, with no real room for discretion, and which would sanction and encourage the needless "customer suit" in patent controversies. Thus, respondent advances its reasons of private interest or desire for thinking that the result below was right, with principal emphasis on the matter of forum convenience which was urged below but not cited by the courts below as a material factor; but it does not at all meet petitioner's points that the decision below failed to heed the interest of the courts and the public which this Court has made paramount, and it does not refute the showing of the general importance and far reaching consequences of the decision below.

* 342 U. S. 180.

1.

The relevant part of the conflicting decision in the *Sortex* case in Michigan did not turn on the matter of customer harassment, as respondent says at page 8. That matter was dealt with as a distinct subject, following the disposition of the presently relevant question of restraining the single customer suit. (See 226 F. Supp., at 1001, column 2).

2.

Making no pretense of any need on its part to continue the prosecution of its Maryland action against the one retailer, respondent shows its disregard for this Court's criteria expressed in *Kerotest* in the phrases "conservation of judicial resources" and "comprehensive disposition of litigation", and expressed in an earlier decision of the Court below by the phrase, "unnecessary and wasteful duplication of litigation" (cf. Petition, at p. 5).

In effect, respondent grants that the duplication here is needless, and therefore wasteful of judicial resources. Instead of facing the fact, as this Court did in *Kerotest*, that the duplication exists because *both* of the prime antagonists exercised rights of access to the courts, but proceeded in different coordinate courts, and instead of recognizing, as this Court did, that it is that very fact which creates the need for "wise judicial administration", respondent would dispose of the whole matter by blaming petitioner alone for the duplication and by thereupon denying petitioner a right to seek restraint of the needless customer suit. This would leave no room for decision by the criteria established in *Kerotest*, and would automatically sanction the customer suit in all cases.

What respondent suggests as a criterion for decision is that the needless and limited customer suit be permitted

to proceed, despite the pendency of the manufacturer's comprehensive declaratory action, simply because the manufacturer (by waiving his venue privilege) could have entered the customer action and thereby could have avoided multiple actions. So too, of course, could respondent have avoided the multiplicity by suing petitioner in Connecticut in the first place, just as it sued petitioner directly in Canada and Germany. But these "last clear chance" considerations lead to no solution that gives heed to the interest of the courts and the public in a wise judicial administration of the problem that exists when the multiple actions do exist. The real question is not one of how multiplicity could have been avoided, but of how to deal with it when it does come to be.

3.

Respondent's emphasis throughout is on the asserted convenience to it of the Maryland forum. As shown by some of the cited cases, the matter of convenience has been looked to by some lower courts, although the Court below did not refer to it in the present action. This is one of the elements of confusion that has arisen and needs clarification.

Even if it be granted that convenience was what moved respondent to bring the action in Maryland, the matter of convenience dropped out when petitioner did not join in that action but instead brought the declaratory action in its home district. Respondent, having counterclaimed in the Connecticut action for its relief against petitioner, must now suffer any inconvenience of having done so. That is an inconvenience imposed on it by the venue statute, which makes Connecticut (and not Maryland) one of the districts in which respondent could sue petitioner as of right; and it is an inconvenience respondent must bear whether the needless Maryland action is or is not permitted also to proceed. It therefore cannot be material to the question of restraining the Maryland action, and it does not sup-

part the decision below. The "convenience" criterion is no proper substitute for this Court's criteria, and its emphasis by respondent serves only to show again that this Court's criteria, not heeded below, need to be restored to their proper place.

This matter of relative convenience, like that of priority, does indeed have a rational bearing when both of the prime antagonists are parties to both actions, as is not the fact here. The question then is which of the two actions should yield, and on that question it quite plainly is material to consider which forum makes better sense. Here, however, where there is but one action between the prime antagonists, and where the question is whether the needless customer action also shall proceed, the matter of convenience has no rational bearing. A needless "side-show" action is no less needless and no less wasteful of judicial resources by reason of being in a forum preferred by the patent owner. Yet, failing to observe this distinction between these two types of multiple-action situations, some of the lower courts have looked to the matter of convenience where it has no rational bearing. This but confirms the need for a clarifying decision by this Court.

4.

Respondent's quotation (pp. 6-7) of the last paragraph of the opinion in *Kerotest*, with interpolations following those of Judge Watkins in his opinion denying a stay of the Maryland action, does not justify the denial of the injunction below. It seeks to derive "rules" from *Kerotest*, while ignoring the part of this Court's opinions in that case which rejected any rigid rule and instead set up rational criteria for the exercise of a discretionary power, on the facts of each particular case.

That last paragraph of Mr. Justice Frankfurter's opinion, after pointing out that the manufacturer's declaratory action has no paramount status, simply stated a number of

the measures that are available to the manufacturer, including his freedom to bring a declaratory action in a forum different from that of an action against his customer. It did not reach the present question of when and under what circumstances the customer action should then be allowed to proceed, if a stay of it is sought. It certainly did not make the customer suit an "untouchable".

There are occasions when a customer suit is necessary to give the patent owner his full relief, as when the customer's *use* of a patented machine is in competition with the patent owner and is the real source of the damage, requiring injunctive relief against the user. On a showing of a sufficient need of that sort a patent owner could well resist any attempted restraint, and the *Kerotest* criteria would amply take care of that situation since an action against the supplier in such a case could not give a "comprehensive disposition" of the litigation (cf., Petition, p. 8 and its footnote). Here, the customer suit admittedly was not needed, and presents nothing to outweigh the need to conserve judicial resources by restraining a wasteful duplication of judicial effort.

Respondent strains at page 10 in treating one word of one sentence in that last paragraph of *Kerotest* as creating a "uniform and controlling law". The sentence quoted says that "the manufacturer may be permitted simultaneously to prosecute a declaratory action against the patentee elsewhere". Respondent takes the word "simultaneously" (as apparently Judge Watkins in Maryland did) as making a rigid rule that the earlier customer suit must be allowed to proceed in all circumstances, to preserve the simultaneity referred to. This, we submit, is reading more in than possibly could have been intended, both because the opinion elsewhere rejects any "rigid mechanical solution" and because the discussion does not even purport to deal with what should be done, after the manufacturer's declaratory action is brought, if either the manufacturer or the customer seeks to stay the customer suit. In such

context, carrying the discussion only that far, it was quite appropriate to refer to the later manufacturer action as one that could be prosecuted "simultaneously", because unless and until someone made a further move (the subject not touched) both actions presumably would proceed concurrently; and in some circumstances that would be right and proper.

The one presently significant fact in all of this is that some of the lower courts plainly have not correctly read this Court's opinion in *Kerotest*, and that its admonitions need clarification as they apply to this chronic "customer suit" situation.

5.

Judge Watkins "quaere" (Resp. brief, footnote to p. 7) as to whether petitioner is a "manufacturer" within *Kessler* v. *Eldred*, 206 U. S. 285, and his suggestion that the Connecticut action might not fully dispose of the controversy, have no basis. Respondent itself does not press the point, and it needs only a brief note lest the result below seem possibly to be right on a ground unrelated to the petition. Petitioner here is in fact the manufacturer, but it is enough that it undeniably is the prime vendor of the accused watch. Nothing in the reasoning of *Kessler* v. *Eldred* hinges on any special status of a manufacturer, as such. The rationale is that when one has won a judgment against a patent owner, giving him a freedom to sell the accused product, the effectuation of that judgment requires that the patent owner be restrained from pursuing his customers for their re-sale of the same product. It is the freedom to sell that is protected against interference with the customers' re-sale.

Respectfully,

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